

STATE OF NEW JERSEY

Board of Public Utilities

*Two Gateway Center
Newark, NJ 07102*

IN THE MATTER OF THE)	ENERGY
ESTABLISHMENT OF A UNIVERSAL)	
SERVICE FUND PURSUANT TO)	Interim Order
SECTION 12 OF THE ELECTRIC)	
DISCOUNT AND ENERGY)	
COMPETITION ACT OF 1999)	Docket No. EX00020091

(SERVICE LIST ATTACHED)

BY THE BOARD:

The Electric Discount and Energy Competition Act ("EDECA" or "Act"), N.J.S.A. 48:3-49 et seq. was signed into law by former Governor Christine Todd Whitman on February 9, 1999. Among other things, the Act provides:

There is established in the Board of Public Utilities a nonlapsing fund to be known as the "Universal Service Fund." The board shall determine: the level of funding and the appropriate administration of the fund; the purposes and programs to be funded with monies from the fund; which social programs shall be provided by an electric public utility as part of the provision of its regulated services which provide a public benefit; whether the funds appropriated to fund the "Lifeline Credit program" established pursuant to P.L. 1979, c. 197 (C.48:2-29-15 et seq.), the "Tenants' Lifeline Assistance Program" established pursuant to P.L. 1981, c. 210 (C.48:2-29.31 et seq.), the funds received pursuant to the Low Income Home Energy Assistance Program established pursuant to 42 U.S.C. s. 8621 et seq., and funds collected by electric and natural gas utilities, as authorized by the board, to off-set uncollectible electricity and natural gas bills should be deposited in the fund; and whether new charges should be imposed to fund new or expanded programs.

[N.J.S.A. 48:3-60(b)]

I. PROCEDURAL HISTORY

At its February 28, 2000 public agenda meeting, the New Jersey Board of Public Utilities ("Board") determined to initiate a generic Universal Service Fund ("USF") proceeding. By letter dated February 29, 2000 ("February 29, 2000 letter"), the Board's then Acting Secretary notified a list of potentially interested parties that the Board had initiated the USF proceeding and outlined the USF-related issues that the Act required the Board to examine. The February 29, 2000 letter also notified the parties that a USF meeting had been scheduled for March 9, 2000. A follow-up meeting was held on March 27, 2000.

By letter dated May 11, 2000 ("May 11, 2000 letter"), Board Staff distributed background material that had been prepared by representatives of the participating utilities, the New Jersey Department of Human Services ("DHS"), the New Jersey Department of Health and Senior Services ("DHSS"), and New Jersey Citizen Action to an expanded list of interested parties.¹ The background material included with the May 11, 2000 letter contained information concerning existing social programs being provided by the utilities, State and Federally funded low-income energy assistance programs and a summary and description of USF programs in place nationwide.

On June 7, 2000, the Board issued an Order ("June 7, 2000 Order"), which outlined the issues to be addressed by the USF proceeding. The June 7, 2000 Order also set forth the procedural schedule that the Board adopted for the USF proceeding. By letter dated June 23, 2000, the Board's Acting Secretary notified the parties that the Board adopted a revised procedural schedule ("revised schedule") at its June 23, 2000 public agenda meeting. Pursuant to the revised schedule, the parties submitted their initial comments on various dates in July 2000.² Public hearings were held in Trenton, New Jersey on August 9, 2000, in Hammonton, New Jersey on August 10, 2000, in Newark, New Jersey on August 21, 2000, and in Jamesburg, New Jersey on August 22, 2000. Former Commissioner Carmen J. Armenti presided over the Trenton and Hammonton hearings. Commissioner Frederick F. Butler presided over the hearings in Jamesburg and Newark. At Staff's request, the parties submitted comments on various dates in September 2000, outlining an interim USF program. On October 18, 2000, the Board's Secretary sent an e-mail notifying the parties that an additional hearing had been scheduled for November 6, 2000 ("November 6, 2000 hearing") in Newark, New Jersey. By letter dated October 24, 2000, the Board's Secretary notified the parties that the purpose of the November 6, 2000 hearing was "to afford the parties the opportunity to expand upon any previous recommendations as to the interim Universal Service Fund" which were required to be submitted in writing by November 2, 2000. Supplemental comments were filed on November 2, 2000 and Commissioner Butler presided over the November 6, 2000 hearing.

¹ The USF Service List includes representatives of Board Staff, the Division of the Ratepayer Advocate ("DRA"), the Division of Law, the New Jersey Department of Community Affairs ("DCA"), the New Jersey Department of Health and Senior Services ("DHSS"), the New Jersey Department of Human Services ("DHS"), the American Association of Retired Persons ("AARP"), the New Jersey League of Municipalities ("League"), the Association of Children of New Jersey, Legal Services of New Jersey ("Legal Services"), the New Jersey Catholic Conference, New Jersey Citizen Action ("Citizen Action"), the New Jersey Public Interest Research Group, Atlantic City Electric Company d/b/a Conectiv Power Delivery ("Conectiv"), Jersey Central Power and Light Company d/b/a GPU Energy ("GPU"), Public Service Electric and Gas Company ("PSE&G"), Rockland Electric Company ("RECO"), NUI Elizabethtown Gas Company ("E'town Gas" or "Elizabethtown"), New Jersey Natural Gas Company ("NJNG"), South Jersey Gas Company ("South Jersey") and Shell Energy Services ("Shell") (collectively, "the parties").

² Initial Comments were received from: AARP, Conectiv, DRA, Elizabethtown, GPU, Mid-Atlantic Power Supply Association, Citizen Action, New Jersey Community Action Association, NJNG, PSE&G, RECO, Shell, and South Jersey (collectively, the "Initial Commentors").

On September 10, 2001, Staff sent an e-mail notifying the parties that a USF meeting/settlement conference was scheduled for September 20, 2001. A follow-up meeting was held on October 5, 2001. At the September 20, 2001 meeting, Staff presented a proposal that the parties consider a two-phased approach for the implementation of a USF. Under Staff's proposal, the first or interim phase of the USF would provide for immediate funding for the 2001 – 2002 heating season while the parties develop the details of the second phase, which would provide the permanent USF statewide program. Staff also proposed that any interim USF program build upon existing utility assistance programs. Staff further proposed that the USF be an umbrella for other State and Federal utility assistance programs to eligible New Jersey residents with natural gas and/or electric utility service to provide one stop shopping for those customers. Staff also requested that the parties submit recommendations with regard to the structure and timing of a USF.³ The September 2001 Comments were discussed at the October 5, 2001 meeting.

II. SUMMARY OF EXISTING PROGRAMS

A. State and Federally Funded Programs

The primary source of State and Federally funded energy assistance is provided by the Federally funded Low Income Home Energy Assistance Program ("LIHEAP") and the State funded Lifeline ("Lifeline") program.

1. LIHEAP

LIHEAP is a Federally funded, State administered program that is designed to help low-income families and individuals meet home heating costs. Assistance is provided to households heated by gas, electricity, oil, kerosene and propane. Homeowners and tenants who pay for heat as part of their rent may receive benefits under the program.⁴ In addition to the heating assistance benefit, LIHEAP recipients may be eligible for emergency energy assistance, weatherization payments, and assistance in paying medically necessary cooling costs. In New Jersey, the DHS and the DCA, working with community action and faith-based social service organizations, jointly administer LIHEAP. To be eligible for LIHEAP, an applicant must be responsible for home heating or cooling costs, either directly or through inclusion in the applicant's rent, and have a gross income at or below 175% of the Federal Poverty Index ("FPI").

2. Lifeline

Lifeline is a State funded utility assistance program, administered by the New Jersey Department of Health and Senior Services. Lifeline benefits for homeowners are funded by casino revenue funds, while benefits for tenants are funded from general State funds. Lifeline provides a \$225 benefit to New Jersey residents who meet the Pharmaceutical Assistance to the Aged and Disabled ("PAAD") eligibility requirements. In 2001, the PAAD eligibility requirements included:

³ The following parties submitted recommendations on various dates in September and October 2001 ("September 2001 Comments"): GPU, PSE&G, NJNG, Conectiv, South Jersey Gas, RECO, E'town Gas, DHSS, the DRA, DHS, Citizen Action, the AARP, League, and Legal Services (collectively, "September Commentors").

⁴ Tenants who live in public housing and/or receive rental assistance are not eligible for LIHEAP unless they pay a utility or fuel supplier directly for their own heating/cooling costs.

- A maximum income of less than \$19,238 for single residents or less than \$23,589 for married residents.
- Lifeline recipients must be at least 65 years of age or at least 18 years of age and receiving Social Security Disability Benefits.⁵

Lifeline benefits are only provided for electric and natural gas. Individuals utilizing other fuels, such as propane, oil, coal or wood are not eligible. Lifeline recipients, receiving service from a single utility company receive a \$225 credit on their utility bills. If a Lifeline recipient receives service from two different utilities, the \$225 credit is equally divided between those utilities. Lifeline recipients who are tenants, and whose rent includes their utilities, receive a check for \$225. Lifeline recipients who receive Supplemental Security Income ("SSI") automatically receive their Lifeline benefit in their SSI checks.⁶

3. Utility and Ratepayer Funded Programs

The utility funded assistance programs include the New Jersey Statewide Heating Assistance and Referral for Energy Services ("NJ SHARES"), NJNG's Gift of Warmth, South Jersey's TLC Program, and the Comprehensive Resource Analysis ("CRA") program. In addition, by Order dated October 9, 2001 in I/M/O the Joint Petition of FirstEnergy Corp. and Jersey Central Power and Light Company d/b/a GPU Energy, for Approval of a Change in Ownership and Acquisition of Control of a New Jersey Public Utility and Other Relief, (Docket No. EM00110870) ("GPU Merger Order"), the Board approved the merger of GPU's parent company (GPU Inc.) into FirstEnergy Corporation, which included a provision under which GPU will implement a low-income customer assistance pilot plan.

1. NJ SHARES

NJ SHARES is a non-profit corporation organized to provide assistance through a statewide, year-round independent energy fund, which provides assistance to individuals and families who are in need of temporary help in paying their energy bills. NJ SHARES provides energy grants for New Jersey residential energy customers who do not receive monthly public assistance cash payments from the New Jersey Division of Family Development, in the DHS. This funding is available for customers who are experiencing a temporary financial crisis and have exhausted all other available assistance. These customers must also have demonstrated a good faith effort to pay their energy bills.

NJ SHARES is overseen by a Board of Directors that is comprised of representatives of Conectiv, GPU, PSE&G, RECO, Elizabethtown, South Jersey Gas, NJNG, and the following non-profit agencies: AARP, Community Health Law Project, NJ Low Income Energy Network, Association for Children of New Jersey, Community Action Program Executive Directors Association and Salvation Army. NJ SHARES is funded by the participating utilities, with additional funding provided by utility solicitations of their customers and employees. NJ SHARES also raises funds by soliciting the State's businesses and the general public.

⁵ According to the Social Security Administration's website (www.ssa.gov), Social Security Disability Benefits are paid to individuals who have worked in jobs covered by Social Security and have a medical condition that meets Social Security's definition of disability. In general, recipients who are unable to work for a year or more because of a disability, receive monthly cash benefits.

⁶ According to the Social Security Administration's web site (www.ssa.gov), SSI is a Federal income supplement program that is funded by general tax revenues. SSI is designed to help aged, blind, and disabled people who have little or no income. SSI provides cash to meet basic needs for food, clothing, and shelter. SSI is not funded by Social Security taxes.

NJ SHARES has also received funds from the State of New Jersey. On September 21, 2000, former Governor Christine Todd Whitman signed into law P.L. 2000, c. 132, which authorized the Board to designate an established statewide non-profit energy assistance organization representing the State's major electric and gas utilities and human service nonprofit groups to receive supplemental funding from unclaimed property held by the State's electric and gas utilities that is transferred to the State pursuant to N.J.S.A. 46:30B-74 and N.J.S.A. 48:2-29.39. Pursuant to N.J.S.A. 48:2-29.40, this funding is to be used to provide temporary energy assistance to needy residential customers who have exhausted all other means of assistance. By letter dated January 16, 2001, NJ SHARES applied to the Board to be recognized as the designee of the Energy Assistance Fund created pursuant to P.L. 2000, c. 132. The Board approved NJ SHARES request by Order dated February 2, 2001 (Docket No. EO01030151U).

On February 2, 2001, Acting Governor Donald T. DiFrancesco signed into law P.L. 2001, c. 24 which: (1) appropriated up to \$15 million of funds derived from additional Sales Tax revenues as a result of the price increase in natural gas, to the Board for the purpose of awarding a grant to NJ SHARES to increase the amount that eligible households receive under the energy assistance programs administered by NJ SHARES, and (2) directed NJ SHARES to increase the benefits for eligible households by the maximum amount that the Director of the New Jersey Division of Taxation ("Director, Division Taxation") has certified as available. By Order dated March 19, 2001, the Board granted NJ SHARES the amount of funds generated by the additional sales tax revenues, up to \$15 million that is certified by the Director, Division of Taxation as being available as a result of the price increase in natural gas.

2. New Jersey Natural Gas Company's Gift of Warmth Program

NJNG's Gift of Warmth Program ("Gift of Warmth") was established by the company to help customers pay their heating bills during times of financial hardship. Gift of Warmth receives donations from NJNG's customers and employees and the company matches each donation with 50 cents on the dollar up to \$80,000. NJNG works with social service agencies throughout its service territory and these social service agencies help distribute funds to customers who need such assistance. In addition to offering Gift of Warmth, NJNG is a full participant in NJ SHARES.

3. South Jersey Gas Company's TLC Program

South Jersey's TLC Program is an employee referral-based program, which provides grants up to \$200 to its residential heating customers, who are currently delinquent and not eligible for other types of assistance. The current funding level for the TLC Program is \$100,000 and is provided by South Jersey's shareholders. In addition to offering the TLC Program, South Jersey is a full participant in NJ SHARES.

4. Comprehensive Resource Analysis Program

EDECA requires that the Board hold a proceeding to undertake a comprehensive resource analysis of energy programs offered by the State's natural gas and electric utilities, N.J.S.A. 48:3-60a(3). By Order dated March 9, 2001, in I/M/O the Filings of the Comprehensive Resource Analysis of Energy Programs (Docket Nos. EX99050347 et al), the Board adopted the energy efficiency programs ("energy efficiency programs") as set forth in a stipulation that was entered into by Conectiv, GPU, NJNG, E'town Gas, PSE&G, South Jersey Gas and the Natural Resources Defense Council. The energy efficiency programs adopted by the Board include a Residential Low Income Program, which among other things, provides that low-income

customers, who participate in the program and who agree to a payment plan, will receive some form of arrearage forgiveness.

5. GPU Low Income Customer Assistance Pilot Plan

The FirstEnergy GPU Merger Order included a provision under which GPU Energy will implement a low income customer assistance pilot plan ("PIP Pilot") similar to the plan that GPU's Pennsylvania utilities offer. The PIP Pilot will initially be applicable to customers with incomes at or below 175% of poverty level and will be implemented over a two-year period. GPU has agreed that it will provide up to \$2 million during 2002 and up to \$3.5 million during 2003 to fund the PIP Pilot.⁷

6. Additional Low-Income Protection

The Board has adopted several regulations that protect residential low-income customers. The Winter Termination Program ("Winter Moratorium") established pursuant to N.J.A.C. 14:3-7.12A, restricts each gas and electric utility from discontinuing service from November 15th to March 15th of each year. N.J.A.C. 14:3-11A requires each gas and electric utility to offer budget billing and payment plans to residential customers. N.J.A.C. 14:3-7.13(c) requires each utility to offer deferred payment arrangements.

III. SUMMARY OF SEPTEMBER 2001 COMMENTS

As noted above, the Board gave the parties several opportunities to submit comments with regard to the timing and structure of both an interim and a permanent USF. The Board will address the majority of those comments in a future order.⁸ While the September 2001 comments addressed both the interim and permanent programs, this Order addresses the September 2001 comments on the interim program only.

A. Utilities Comments

1. GPU Energy

GPU submitted comments on September 28, 2001. GPU noted that it had agreed to a PIP Pilot in a stipulation related to its merger with FirstEnergy Corporation ("merger stipulation"). Although the merger stipulation provides that the implementation of a Universal Service Plan in the USF proceeding will supersede the PIP Pilot, GPU proposed that it be permitted to implement the PIP Pilot in its service area commencing at the start of the 2001 – 2002 heating season. GPU further proposed that it be permitted to fund the PIP Pilot, pursuant to the terms of the merger stipulation, and requested that it be permitted to "use appropriate means to advise customers about the availability of the PIP pilot." GPU stated that it believed the implementation of the PIP Pilot will provide the Board with valuable data and experience that can be used in the development of any permanent statewide program. GPU further stated that it would be adhering

⁷ The stipulation provides that the PIP Pilot will be superceded upon implementation of a USF program by the Board.

⁸ Many of the comments that have been filed with the Board include proposals that the Board implement a USF that includes a Percentage of Income Plan or Program ("PIP"). Generally, under a PIP there is a relationship between the eligible recipients annual household income and the eligible customers' annual electric and gas costs. Eligible customers with lower incomes and higher energy burdens would receive a higher USF credit than customers with higher incomes or lower energy burdens. Some parties have proposed a fixed credit PIP. A fixed credit PIP provides for a fixed UFS credit that is based upon a recipient's income. The eligible customer would be responsible for the balance of the bill. The Board will address these proposals in a future order.

to its pledge to contribute up to \$2 million to this PIP Pilot, and noted that the experience gained during the course of this program's implementation will be at no cost to the State's ratepayers.

2. Public Service Electric and Gas Company

PSE&G submitted comments on September 28, 2001. PSE&G endorsed a two-phased USF implementation. PSE&G noted that speed is critical in order to implement a USF for this heating season and stated that the interim USF should build upon current Federal and State assistance programs. PSE&G made the following proposal with regard to an interim USF:

- a. Existing energy assistance programs, such as LIHEAP and Lifeline, should be kept in place during the interim plan. The application deadline for LIHEAP should be extended through the end of April 2002 to assist with winter heating expenses in the post-heating season.
- b. PSE&G will fund the interim USF with \$5 million. PSE&G proposes that this interim funding level ("interim funding level") be allocated 25% to electric customers and 75% to gas customers. In order to alleviate the impact of a potentially harsh winter, PSE&G stated that its interim funding level "may be increased" by \$1 million should this year's winter degree-days as measured within its service territory exceed a normal winter's degree-days by 10% or more. All funding will be deferred for future rate recovery. PSE&G proposed that two-thirds of the interim funding level be provided to NJ SHARES and that one-third of the interim funding level be immediately made available for automatic benefits to LIHEAP and Lifeline participants identified in the PSE&G customer system as currently in arrears.
- c. Eligibility should be limited to direct payment resident electric and natural gas utility customers. Eligibility criteria should be the same as the eligibility guidelines approved by the Board pursuant to P.L. 2001, c. 24. (See: Docket No. EO01020151U, March 19, 2001 ["March 19, 2001 Order"]).⁹
- d. Qualifying customers that tamper with or destroy PSE&G's equipment would be ineligible for the program.
- e. Qualifying customers with high-energy usage would be encouraged to participate in the low-income energy conservation programs that are included in the CRA.
- f. Qualifying customers that benefit from the interim USF would be encouraged to make an affordable payment arrangement and kept current with the requirements of the payment plan in order to avoid returning to traditional collection practices.
- g. The Board's on-going Customer Education Program ("CEP") should continue to be utilized to encourage participation in existing utility assistance programs.¹⁰

⁹ A copy of the eligibility guidelines is attached hereto.

¹⁰ (See: Docket Nos. EX99040242 et al.)

3. New Jersey Natural Gas Company

NJNG submitted comments on September 28, 2001. NJNG observed that: (1) customers who currently receive LIHEAP benefits may be eligible to receive additional benefits under the interim USF program; (2) LIHEAP eligibility is currently tied to 175% of Federal poverty guidelines; and (3) LIHEAP captures a substantial portion of NJNG's low-income population. NJNG stated that there are many important issues that should be addressed in connection with the development of a permanent USF. NJNG noted that time is very short and endorsed Staff's recommendation to adopt a two-phased implementation for the USF so that an interim USF could be implemented for the 2001 – 2002 heating season. In order to accomplish this goal, NJNG made the following recommendations with regard to an interim USF:

- a. In the absence of the customer income data being available to the utilities, it is important to establish eligibility criteria that provides for an appropriate benefit for those customers most in need of assistance. In order to develop this eligibility criteria, NJNG proposed that the Board establish a 60-day period for the parties to recommend such criteria after consideration of the following:
 - i. estimated energy costs;
 - ii. existing level of benefits (including NJ SHARES and CRA low-income forgiveness);
 - iii. the pool of funding available or estimated rate impact which may vary significantly by utility;
 - iv. the number of customers considered to be eligible;
 - v. the comparability of proposed credits among utilities within the State.

Once all of the above information is analyzed, the parties would be in a better position to provide the Board with a recommendation, as well as the necessary supporting data, for both the eligibility and benefit level for interim USF participants. NJNG stated that customers in need of assistance will be protected by the Winter Moratorium while the eligibility criteria and benefit levels are being established.

- b. The interim USF benefit should be applied to the account of each eligible customer at the end of the Winter Moratorium.
- c. The interim USF should be administered directly by the utility.
- d. All benefits provided by the interim USF should be eligible for recovery via the SBC pursuant to EDECA.
- e. NJNG will communicate the availability of both the USF and existing utility assistance programs through a program that includes direct customer communications, such as bill inserts, the company's website, and outreach through community assistance program ("CAP") agencies.

4. Conectiv Power Delivery

Conectiv submitted comments on September 28, 2001. Conectiv noted that it was willing to design a USF that addresses the needs and reduces arrearages of low-income customers. Conectiv opined that the parties need to work together in a collaborative process in order to design an appropriate program that accomplishes the Board's goal of implementing a USF. Conectiv noted that the Winter Moratorium provides the Board and the parties with a several-month time frame in which to complete the details of an interim USF and stated that customers cannot be turned off during this time period. Conectiv recommended that:

- a. It is appropriate to use the information developed by the State of New Jersey through the administration of LIHEAP. LIHEAP already provides an intake information gathering and qualification process, which can be used to identify households that are potentially eligible for the interim USF, and will ensure that USF funding is directed to providing relief for households, instead of having to set-up an extensive, parallel administrative process for the qualification of program participants.
- b. Customers who apply for and receive LIHEAP should be eligible to receive additional USF monies by the end of the winter heating season. The appropriate amount of monies that eligible customers would receive would be in the form of a credit that would be developed during the Winter Moratorium.
- c. Conectiv noted that it receives the following from the State's LIHEAP office: the name/account number of the each LIHEAP customer and the amount of each LIHEAP customer's LIHEAP credit. In order to develop an interim USF credit, it would be necessary for the LIHEAP office to supply the utility with additional information, such as each LIHEAP customers' household income.

At the present time, Conectiv stated that it is unable to make a determination with respect to the cost or rate impact of the interim USF. Conectiv noted, however, that the costs of implementing the interim USF would be recoverable through the SBC pursuant to EDECA.

5. South Jersey Gas Company

South Jersey submitted comments on September 28, 2001, and endorsed a two-phased approach for the implementation of a USF: one for the 2001 – 2002 winter heating season and one for thereafter. In order to ensure immediate funding for the interim USF, South Jersey proposed that:

- a. The LIHEAP income guidelines be used to determine USF eligibility.
- b. Customers who receive LIHEAP benefits also should be eligible for an additional bill credit to be funded by the USF and recovered through the SBC.
- c. Customers who are potentially eligible for the interim USF could not be terminated during the Winter Moratorium removing the need to provide immediate bill credits. The interim USF bill credit will be developed during

the Winter Moratorium and can be applied to customer bills prior to the end of the Winter Moratorium, which will result in customers receiving the full benefit of any interim USF bill credit.

South Jersey also noted that the issues of qualification standards, funding levels, and total budget amounts need to be addressed, but did not make any interim recommendations on these items.

6. Rockland Electric Company

RECO submitted comments on September 28, 2001. RECO expressed its commitment to work with all parties towards a mutually acceptable resolution of the USF.¹¹ RECO made the following interim USF proposals:

- a. For the 2001 – 2002 heating season, RECO offered to make an additional \$10,000 in supplemental funds (“Supplemental Funds”) available to those RECO customers who receive LIHEAP benefits during the interim USF period.¹² RECO offered to use the Supplemental Funds to provide a grant to LIHEAP eligible customers during the interim USF period. RECO’s interim USF grant would be limited to a maximum of \$250 per eligible customer and would be in the form of a bill credit, which would equal a customer’s outstanding arrearage after applying the benefits available from all other utility assistance programs, subject to the \$250 maximum.
- b. With respect to arrearage forgiveness, RECO noted that:
 - i. the proposed credit would address customer arrears after the application of other assistance program benefits, up to \$250;
 - ii. the CRA includes an arrearage forgiveness program, therefore, any modification to the arrearage forgiveness program should be addressed in the context of the CRA proceeding.
- c. RECO stated that it cannot identify those customers who would be considered eligible for the USF under the current LIHEAP guidelines and that it would not be practical for it to administer any benefit structure that was tied to a recipient’s income.

7. NUI Elizabethtown Gas Company

E’town Gas submitted comments on September 28, 2001. The company noted that its other filings in this proceeding have “shown why no additional universal service type of programs are necessary at this time given the considerable number of programs dedicated to low income customers which already exist in Elizabethtown’s service territory.” However, Elizabethtown

¹¹ Absent a mutually acceptable settlement, RECO reserved its rights to contest any unresolved USF related issues.

¹² RECO noted that its service territory is primarily suburban and reasonably affluent. RECO further noted that, during the year 2000, only 58 customers that use RECO as their heating supplier received LIHEAP benefits.

expressed its commitment “to exploring through a working group process the implementation of a permanent USF program” and proposed the following with respect to an interim USF:

- a. It would make a monetary grant to company customers who are eligible for LIHEAP.
- b. It would make its interim USF grant available at the end of the winter moratorium.
- c. The interim USF grant should be in the form of a bill credit.
- d. It proposed that its shareholders fund the interim USF by utilizing the \$300,000 of company funds that E'town committed, for the public benefit goals of universal service, in the gas unbundling stipulation (“Gas Unbundling Stipulation”) that was approved by the Board in I/M/O Elizabethtown Gas Company’s Rate Unbundling Filings by Gas Public Utilities Pursuant to Section 10, Subsection A, of the Electric Discount and Energy Competition Act, (Docket Nos. GX99030121 and GO99030122, March 30, 2001). Under E'town’s proposal, all incremental administrative costs associated with the administration of the interim USF would be fully recoverable through the SBC pursuant to EDECA.

B. New Jersey State Agencies Comments

1. The Department of Health and Senior Services

DHSS submitted comments with regard to the interim USF on September 28, 2001. DHS indicated that it:

- a. does not support the deposit of Lifeline funds into the USF;
- b. supports a USF, which recognizes the Lifeline Credit when determining the net energy burden of potential recipients; and
- c. will work the Board and the other parties in order make the USF as “senior friendly” as possible.

DHSS expressed the following concerns that need to be addressed if the USF is to become an umbrella for a one-stop shopping for all utility assistance programs:

- a. Lifeline provides a mail-in application process to make it easier for the aged and disabled applicants to apply for benefits. Seniors became concerned whenever changes were made to the Lifeline program in the past.
- b. In order to receive Lifeline, applicants are not required to be United States citizens, only New Jersey residents.
- c. Lifeline considers the annual income of an applicant and spouse, if applicable, not the total household income in determining income eligibility.

- d. Changes to the law and regulations governing Lifeline would need to be initiated.

DHSS noted that Lifeline recipients apply for their Lifeline benefits by answering the questions pertaining to the Lifeline programs on their PAAD applications, which allow applicants to simultaneously apply for PAAD, Lifeline, and Hearing Aid Assistance.¹³ If the applicant does not wish to apply for PAAD, the same application may still be used to apply for Lifeline. The applicant would only need to check the box for Lifeline and mail the application to PAAD for processing. PAAD applications are available in New Jersey pharmacies, New Jersey Easy Access Single Entry ("NJEASE") offices¹⁴, County Offices for the Disabled, Social Security Offices, Legislative Offices or through the DHSS' toll-free telephone number. Each August, PAAD applications are automatically sent to recipients of certain benefit programs.

2. The Department of Human Services

The Department of Human Services ("DHS") filed comments with regard to the establishment of the USF on October 1, 2001. DHS offered the following comments:

- a. Some major issues need to be addressed before a USF can be established, including but not limited to, the need to:
 - i. develop and publish USF regulations;
 - ii. change Food Stamp and LIHEAP applications to allow the sharing of information and an opt-out feature; and
 - iii. draft and execute agreements between DHS, DCA, CAP agencies, and the electric and gas utilities addressing the administration of the USF.
- b. DHS currently administers LIHEAP, in conjunction with DCA. DHS suggests that it is the appropriate agency to administer the USF. DHS notes, however, that it requires a better understanding of the USF-related administrative efforts, costs, funding, and implementation timetables before a final decision regarding the administration of the USF can be made.
- c. The Board should issue an Order which broadly outlines the USF. The Order should include a percentage of income plan ("PIP"), with arrearage forgiveness and identify the source and amount of funding, which would allow DHS to assess the USF-related administrative work and related costs. The Board should name a USF administrative agency, which can

¹³ According to DHSS' website (<http://www.state.nj.us/health/seniorbenefits>), PAAD helps eligible New Jersey residents pay for prescription drugs, insulin, insulin needles, certain diabetic testing materials and syringes and needles for injectable medicines used for the treatment of multiple sclerosis.

¹⁴ NJEASE offices work in conjunction with the County Offices on Aging, County Offices for the Disabled, Social Security Offices, and Legislative Offices and provide a one-stop information and referral service for the State's senior citizens.

develop the implementation strategy and timetable for implementation for next year's heating season.

- d. DHS supports the proposal that households, which use natural gas or electricity to heat or cool their homes and whose incomes are at or below 175% of the FPI (i.e., the current LIHEAP income limit) be made eligible for the USF. USF eligibility, however, could rise or fall if USF eligibility is directly tied to the LIHEAP income limits. In order to establish a strong USF safety net for New Jersey residents, the Board should establish a firm income eligibility standard of 175% of the FPI.
- e. DHS supports automatic enrollment of appropriate LIHEAP households.¹⁵ Any automatic enrollment provision should allow customers to opt-out of USF.
- f. DHS supports a one-stop shopping feature for USF, LIHEAP, and Lifeline as the appropriate approach to addressing consumer needs and DHS supports an umbrella program as a long-term goal. An umbrella program, however, would require a number of changes (i.e., Lifeline operates primarily as a mail-in application and does not contract with CAP agencies to process applications), LIHEAP uses both an automatic enrollment process for beneficiaries, who are also eligible for Food Stamps, and an application process through contracts with CAP agencies for other beneficiaries. DHS also notes that the policies for LIHEAP and Lifeline are set forth in regulations and are currently operated by three different departments of State government.¹⁶
- g. DHS supported a fixed-credit PIP. In prior filings, DHS recommended that eligible households pay no more than 5% of income for energy costs. DHS suggests that 6% is also a reasonable limit. The Board might want to consider a lower percentage for very low-income households.
- h. Arrearage forgiveness should be a central component of USF. Arrearage forgiveness provisions should assist low-income households pay a reasonable percentage of their incomes to satisfy arrearages. Any arrearage forgiveness provision, however, should not be so burdensome that households cannot retire old bills in a reasonable period of time. Households with high arrearages should eventually have a portion of their arrearages forgiven if they make good faith payments towards their arrearages over time.
- i. LIHEAP administrative costs are capped at 10% of New Jersey's annual LIHEAP funding. While this amount is low, the size of New Jersey's LIHEAP funding has grown over the past several years, from \$37.8 million in Federal Fiscal Year ("FFY") to over \$89 million in FFY 2001, and New Jersey has administered LIHEAP for less than the 10% allowed.¹⁷

¹⁵ As noted above, LIHEAP also provides assistance to those income eligible households that heat with oil, kerosene or propane.

¹⁶ As noted above, LIHEAP is jointly administered by DHS and DCA while Lifeline is administered by DHSS.

¹⁷ The FFY runs from October 1st to September 30th of each year.

There are certain administrative and program development costs, which occur regardless of the size of the program, and it is not clear at this time if there will be sufficient funds to develop, implement, and operate the USF. Therefore, the Board should identify different amounts for development, implementation and ongoing USF operation.

- j. NJ SHARES provides valuable assistance to households in crisis, but it is a private not-for-profit agency which does not have experience operating income-based programs and does not operate in a regulatory environment. Consequently, NJ SHARES is not the best choice to administer the USF.

3. The Division of the Ratepayer Advocate

The Division of the Ratepayer Advocate ("DRA") filed comments on September 28, 2001. The DRA stated that any interim USF should support the longer term goal of implementing a permanent USF. The DRA further stated that the interim and the permanent USF must include the following key components:

- a. Customers with incomes at or below 175% of the Federal poverty level should receive a fixed credit on their monthly energy bills. The fixed credit should be designed to bring eligible customers' energy bills to affordable levels and should be based on a percentage of the customer's household income.
- b. A fixed credit should be based on a sliding scale with customers at higher income levels expected to pay a higher percentage of household income towards their energy bills. A credit that is based on a sliding scale will encourage energy efficiency by holding the customer responsible for increased energy usage. Customers should be allowed to retain any savings that result from decreased energy usage.
- c. Customers who are enrolled in the USF should receive assistance in paying off arrearages that have accumulated prior to becoming enrolled in the program. The USF administrator should determine an affordable monthly arrearage co-payment that should be based on a percentage of the eligible customer's household income. Customers whose pre-USF arrearages are twelve times greater than their monthly arrearage co-payments should receive a bill credit, up to the amount of their monthly arrearage co-payments, in order to reduce their repayment obligations to an affordable level.
- d. The interim USF should be a geographically discrete ramp-up of the permanent USF and should be implemented in the communities of Newark, Camden, Atlantic City, and Asbury Park/Long Branch.
- e. The interim USF should be for a one-year period, and should be expanded to the full-scale program the following year.
- f. The interim USF should be administered by the State's LIHEAP office.

- g. The interim USF must include a comprehensive outreach and customer education program so that all eligible customers are aware of the existence of the program. The Board's ongoing consumer education proceeding ("CEP") should include information regarding the USF.
- h. If the Board immediately directs the parties to begin implementing an interim USF, the necessary administrative mechanism could be in place and customers can begin receiving their interim USF benefits before the end of the 2001 – 2002 heating season.
- i. The Board should establish a USF implementation task force, which should include representatives of the DRA, the utilities, Human Services, and DCA under the direction of a state agency or a consultant with expertise and resources in developing the computer programs and communication protocols necessary to implement the interim and permanent USF.
- j. The GPU PIP pilot can and should be implemented concurrently with the interim USF.

C. Other Advocacy Groups

1. New Jersey Citizen Action

New Jersey Citizen Action ("Citizen Action") submitted comments on October 3, 2001. Citizen Action:

- a. Suggests that a fixed credit, percentage of income USF plan be adopted. In order to accommodate a variety of poverty levels, Citizen Action proposed using staggered percentages of 0, 3.5, and 6 percent of eligible recipients' incomes. Citizen Action suggested that the Board might want to consider adopting different percentages for non-electric and electric-heat homes. Citizen Action further proposed that residents of all electric homes, particularly low-income senior citizens, be eligible for some portion of USF.
- b. Suggests that USF be available for those customers who are at or below at least 200 percent of the Federal poverty guidelines. Citizen Action noted that the widest and most flexible eligibility guidelines can keep administrative costs low and suggested that the USF include eligibility guidelines, but no actual income limits. Citizen Action noted that this could provide benefits if an intake agency determined that an individual who would normally not fit into the program would benefit and the program had room for that individual.
- c. Supports the proposal to make the USF a one-stop shopping experience for customers and strongly urges the use of existing funds to create an umbrella program.
- d. Believes that the fixed credit should be net of any benefits that the recipient receives from LIHEAP, Lifeline, and NJ SHARES.

- e. Stated that the USF should be structured so that it encourages energy conservation and responsible bill payment.
- f. Believes that an arrearage forgiveness component must be done in tandem with a PIP. The cost of providing Universal Service will be offset by lowered uncollectible bills and reduced administrative costs expended to collect them. Citizen Action believes that families who make a good faith effort to pay should have a portion of their arrearages entirely forgiven.
- g. Believes that the Board needs to review its current reconnection regulations. Citizen Action states that the service restoration deposits and payment plan minimums should take into account a customer's ability to pay.
- h. Supports a single administrator for the final USF program and believes that DHS' LIHEAP office would be the logical choice to administer the program.
- i. Suggests that customers who are already receiving LIHEAP, Lifeline, or other benefit that matches the guidelines, should automatically be enrolled in USF. However, there should be an opt-out provision for those individuals who do not wish to participate.
- j. States that utility customer service representatives should be required to ask payment-troubled customers to apply for the program.
- k. States that community action and social service agencies that currently enroll participants in weatherization and other social program should also be able to sign-up eligible recipients.
- l. States that funding levels should be commensurate with the need for affordable energy service. Citizen Action acknowledges that it is difficult to know what this need is, but that should not deter Board action. Rates can be held harmless due to the high uncollectibles and bad debt currently in rates. Rate neutrality is not the goal of the USF; meeting a critical social need is.
- m. States that the Board does not always know the full impact of a program on rates before implementing it. For instance, Citizen Action notes that in the case of the on-going CEP program, the Board authorized the gas and electric utilities to expend resources with the understanding that the utilities could apply for rate recovery.

2. American Association of Retired Persons and the New Jersey State League of Municipalities

The American Association of Retired Persons ("AARP") and the New Jersey State League of Municipalities ("League") jointly filed comments on September 28, 2001. AARP and the League:

- a. Support a fixed-credit PIP because it will provide affordable monthly electric and gas bills to those New Jersey residents whose household income is insufficient to support vital utility services while requiring all participants to pay what the AARP and the League call the eligible customers' "Fair Share." Under the AARP's and the Leagues' fixed-credit PIP, there would be a relationship between the eligible recipients annual household income and the eligible customers' annual electric and gas costs. Eligible customers with lower incomes and higher energy burdens would receive a higher USF credit than customers with higher incomes or lower energy burdens. The USF credit would be a fixed amount and the eligible customer would be responsible for the balance of the bill.
- b. Propose applicable income percentages under their fixed-credit PIP of 3% for gas, 3% for electric, 6% for gas and electric, and 6% for an all-electric household with electric heating.
- c. Support reducing the fixed credit by any LIHEAP and/or Lifeline benefits received by the customer during the plan year.
- d. Believe that the fixed-credit PIP has a significant chance of reducing the utilities' credit and collection costs and should reduce shut-offs of customers who are unable to pay.
- e. Support a two-phased approach for the USF. The AARP and the League believe the interim USF should be constructed so that it is as close as possible to the structure of the permanent USF and there should not be two separate programs.
- f. Recommend that the interim USF be operated as a geographically discrete ramp-up to the permanent statewide USF, and that the interim USF be established for eligible residents in the communities of Newark, Elizabeth, Long Branch, Asbury Park, Camden, and Atlantic City. The AARP and the League believe that including these communities will result in low-income customers from every gas and electric utility being included in the interim USF.
- g. Believe that very low-income, high-arrearage customers could be placed on an arrearage forgiveness plan in preparation for their participation in the USF.
- h. Recommend that customers who are in arrears be placed on a program which requires them to pay 1% of their monthly income, towards their arrearage, over a two-year period. They propose that the utilities forgive any remaining arrearage at the end of the two-year period.

- i. Recommend the interim USF be used to establish electronic data protocols between state agencies and utilities so that eligible customers can automatically be enrolled in the USF.
- j. Propose that state agencies and utilities enter into contracts with CAP agencies for individual in-person enrollment of eligible customers. They believe that the use of CAP agencies for in-person enrollment will be especially important to those customers who are shut-off for non-payment at the end of the Winter Moratorium.
- k. Propose that the income limits for customers who are eligible for the USF should be the same as the income limits for Lifeline and/or LIHEAP. They believe that all income-eligible gas or electric customers be enrolled in the USF regardless of whether they are a heating or a non-heating customer.
- l. Suggest that senior citizens or disabled customers, who have all-electric homes with electric heating, be considered eligible for the USF even if their income limits exceed the LIHEAP and/or Lifeline income limits. They believe that this exception makes sense because all-electric heating customers often have very high heating energy burdens and could qualify for a fixed-credit PIP even though their income exceeds the LIHEAP and/or Lifeline income limits.
- m. Recommend that New Jersey change its LIHEAP criteria next year so that LIHEAP benefits can vary in size so that customers with the lowest income and the highest heating bills can receive larger LIHEAP benefits which is consistent with Federal LIHEAP guidelines, and will reduce the amount of utility contributions required to fund the fixed-credit PIP.
- n. Propose that the fixed credits be calculated as follows: the difference between the previous 12 months electric and/or gas billing, net of any LIHEAP and/or Lifeline benefits, and 3% (one service) or 6% (two services) of the eligible customer's income.
- o. Believe that the USF should be portable, i.e., the benefits should be able to be moved with the customer if the customer chooses a competitive energy supplier.
- p. Propose that existing utility payment programs, including the Winter Moratorium, not be included in the USF.
- q. Believe that the USF administrator should be located within DHS assisted, as necessary, by DHSS, DCA, and the utilities.
- r. Believe that the USF administrator should be the same for both the interim USF and the permanent USF, unless the Board decides that the utilities should administer the interim USF.
- s. Believe that enrollment should be automatic and customers should be given the opportunity to opt-out of the USF.

- t. Propose that the dollars allocated to the interim USF include all costs associated with the interim USF, including administration costs;
 - 1) State and local administrative agencies should be reimbursed for their administrative costs, up to a maximum of 10% of the program funding; and
 - 2) The costs of hiring consultants that may be needed to establish:
 - (a) state agency/utility communication protocols for Phase II automatic enrollment; or
 - (b) the administrative procedures needed for Phase I.
- u. Believe that the rate impact resulting from the funding of the USF should not be a barrier to immediate implementation. Rates already include a three-year average of uncollectible accounts. They suggest that the Board should impose a non-bypassable SBC so that the utilities can collect any USF costs that are not already included in rates.

3. Legal Services of New Jersey

Legal Services of New Jersey ("Legal Services") filed comments on October 2, 2001. Legal Services recommends that:

- a. The Board adopt a fixed credit PIP.
- b. New Jersey residents whose household incomes are 200% or less of the Federal poverty income guidelines be eligible for the USF.
- c. Efforts be made to achieve 100% participation of eligible households.
- d. There should be automatic enrollment from the rolls of existing benefit programs, including Work First New Jersey, Food Stamps, and the Earned Income Tax Credit.
- e. There be extensive outreach and customer education so that all potential eligible customers are made aware of the USF.
- f. An easy to understand application process be developed for those not automatically enrolled in the USF. It suggests that the application process be completed by mail, in-person, over the telephone, and on-line. Application materials and assistance should be available in a range of languages.

- g. The USF be funded through the SBC. Rates already include an amount for uncollectible accounts which amount should be used to offset the USF.
- h. There be a crisis intervention assistance program for those who simply cannot pay their utility bills despite good faith efforts, for those with extraordinary needs, such as the need for electric powered apparatus for health purposes, and to compensate for increased utility costs due to unusually hot summers or unusually cold winters.
- i. The Winter Moratorium be extended to the severe conditions of the summer months. Furthermore, it suggests that customers who need electric powered apparatus for health purposes should not be terminated at all.
- j. The fixed credit be based on the customer's estimated bill for the interim USF and that the customer's actual usage be used for the permanent USF.

IV. DISCUSSION AND FINDINGS

Although Lifeline, LIHEAP, NJ SHARES, Gift of Warmth, TLC, CRA, and Winter Termination programs are available to assist those customers who require either long-term or short-term assistance with their gas and electric bills, the record in the USF proceeding clearly indicates that additional resources need to be made available to assist customers who are unable to afford their utility bills.

As previously noted, in the GPU FirstEnergy merger, the Board approved GPU's implementation of a Percentage of Income Payment ("PIP") Pilot program. GPU's PIP Pilot Program shall initially be applicable to customers with incomes at or below 175% of poverty level and will be implemented over a two-year period. GPU has agreed that it will provide up to \$2 million during 2002 and up to \$3.5 million during 2003 to fund the PIP Pilot. The Board FINDS that implementation of this PIP Pilot program will provide the Board with valuable data and experience regarding the administration, funding levels, and rate impacts of such a program. The Board will be able to use that experience in the development of the permanent statewide USF program. Based upon the foregoing, the Board HEREBY ORDERS that GPU Energy's PIP Pilot Program be implemented pursuant to the terms set forth in I/M/O the Joint Petition of FirstEnergy Corp. and Jersey Central Power and Light Company d/b/a GPU Energy, for Approval of a Change in Ownership and Acquisition of Control of a New Jersey Public Utility and Other Relief (Docket No. EM00110870, October 9, 2001).

Implementation

The Board notes that the LIHEAP and Lifeline programs provide utility bill paying assistance to those customers who meet these existing program's eligibility requirements. The Board HEREBY ORDERS that the LIHEAP eligibility requirements be used for the purposes of establishing eligibility for interim USF assistance, since LIHEAP does not have an age based eligibility requirement. While this eligibility may be expanded in the permanent USF program, the Board notes that a simplified interim structure is necessary to allow immediate implementation of the interim USF.

In order to quickly establish an interim program, the Board ORDERS that the interim Universal Service Fund be in the form of a one-time fixed credit to customers. The Board ORDERS that the interim USF credit be applied to eligible customers' accounts, including any existing arrearages, no later than February 15, 2002. If the application of the credit would result in a credit balance, then the customer's bill should be reduced to zero and any remaining credit should be applied to other eligible customers' bills. The Board notes that the amount of the credit will be based on both the interim USF budget and the number of customers who are eligible for the interim USF program. The credit amount is to be determined during an analysis period described more fully below.

With regard to the other gas and electric utilities, the Board HEREBY ORDERS an interim USF assistance program be established for Conectiv, PSE&G, RECO, E'town Gas, NJNG, and South Jersey Gas (collectively, "affected utilities"). An interim program will provide the parties and the Board with time to analyze the many complex issues that need to be addressed before a permanent Universal Service Fund assistance program can be established. The Board FINDS that a two-phased approach will provide for immediate funding to meet the needs of this heating season, while providing additional time to develop a permanent plan.

Because those customers who are eligible for LIHEAP assistance are already known to New Jersey's gas and electric utilities, the Board ORDERS each utility to administer the interim program for LIHEAP eligible customers who reside within its service territory. This structure will allow the interim USF program to be established in time for the 2001-2002 winter heating season, since there will be little need for creation of any new administrative processes. While this interim Order provides that each utility will fund low-income customers within its service territory only, the Board HEREBY RESERVES JUDGMENT on this structure for the permanent USF program. In a subsequent Order establishing the permanent USF program, the Board will determine whether utilities will be responsible for funding low-income customers only within their existing service territories or on a statewide basis. In addition, the Board RESPECTFULLY REQUESTS that the Division of Family Development within the Department of Human Services, in conjunction with the LIHEAP Office, consider administering the permanent USF program. The Board is aware that DHS' consideration of the Board's request that the Division of Family Development administer the permanent USF program must include DHS' analysis of the necessary administrative costs.

LIHEAP recipients who are renters, and whose energy bills are currently included in their rent, are also eligible for interim USF assistance. These LIHEAP beneficiaries are not direct utility customers and are unknown to the utilities. Therefore, the Board RESPECTFULLY REQUESTS that DHS consider administering an interim USF for those LIHEAP beneficiaries who are renters. If DHS agrees to administer this portion of the interim USF, then the Board HEREBY FINDS that a portion of the interim USF budget should be allocated to the DHS so that funds can be provided for these USF-eligible recipients who would not be able to receive USF assistance through their utility bills. Also, the Board notes that allocating a portion of the interim USF funding and administrative responsibilities to DHS will afford DHS the opportunity to begin establishing procedures that can be used in the administration of the permanent USF.

Budget

With regard to an interim USF budget, the Board HEREBY ORDERS that \$15 million be made available to fund the interim USF program. The affected utilities' total annual revenues for the calendar year ended December 31, 2000 amounted to approximately \$6.8 billion. As such, a

\$15 million interim USF budget amounts to approximately 0.22% of their combined annual revenues.¹⁸

Compliance Filings

The Board ORDERS the affected utilities to work with DHS and the other parties to this proceeding to determine the appropriate budget allocations among the utilities and DHS, as well as the appropriate credit amount per customer, and any other details necessary to the program's implementation.

The Board ORDERS each of the affected utilities to submit a compliance filing, within forty-five (45) days of the date of this order. This compliance filing should include:

1. A proposed allocation of the \$15 million interim USF budget among the affected utilities;
2. The estimated number of customers who may be eligible for the interim USF for each utility;
3. The amount of the interim USF customer credit for each utility;
4. An amount to be allocated to DHS so that assistance can be provided to LIHEAP recipients whose energy bills are currently included in their monthly rent.
5. Each utility's estimate of the costs of administering the interim USF;
6. The estimated impact on the rates of each utility; and
7. All workpapers utilized in the preparation of the compliance filing.

The Board HEREBY DIRECTS the parties to submit, to the Board and to all parties to this matter, any comments with regard to compliance filings within 10 business days of receipt of the compliance filing. The Board will review and approve each compliance filing.

Universal Service Fund Cost Recovery

Although some parties have argued that the costs associated with the implementation of the USF will be offset by reduced uncollectibles and lower credit and collection costs, the Board recognizes that there will be a cost associated with the provision of the USF program and that these costs will be incurred by each of the affected gas and electric utilities. The Board notes that the various stipulations from the utilities' restructuring proceedings ("Restructuring Stipulations"), which the Board adopted or utilized in reaching its restructuring determinations, all have provisions consistent with EDECA, and provided for a non-by-passable societal benefits charge ("SBC"), N.J.S.A. 48:3-60, to be imposed on each electric and gas public utility's customers to include certain costs including, but not limited to: (1) nuclear plant decommissioning, (2) demand side management, (3) manufactured gas plant remediation, (4)

¹⁸ Source: 2000 Annual Report to the Board of Public Utilities; Page 300, Electric Operating Revenues; or Page 300, Gas Operating Revenues.

USF, and (5) customer education.¹⁹ While there are varying provisions in the Restructuring Stipulations, the SBC is set initially at an agreed upon level²⁰ and then is subject to an annual resetting to include a true-up process to address underrecovered or overrecovered amounts in the deferred balance, and recovery of projected costs for the ensuing year. Thus, the Board has already ruled in the restructuring proceedings that the affected utilities be provided the opportunity to fully recover all reasonable and prudent USF-related costs, including any costs relating to the administration of the USF, through the SBC. Therefore, the Board HEREBY AUTHORIZES deferred accounting treatment of all USF-related under and overrecoveries, along with appropriate carrying costs, to reflect the cost of financing the deferred monies.

USF cost recovery through the SBC may result in rate increases either now or at the time the deferral ceases and recovery commences in the case of the electric companies.²¹ N.J.S.A. 48:2-32.4 provides that, prior to granting a utility a proposed adjustment which would result in a rate increase, the Board shall hold at least one public hearing in a centrally located municipality (if more than one municipality is affected) in the utility's service area, with notice to be given as required by N.J.S.A. 48:2-32.2, i.e., to each affected municipality, the clerk of the board of chosen freeholders of each affected county, and, where appropriate, the executive officer of each affected county. Because EDECA has not altered the requirements of N.J.S.A. 48:2-32.4 and N.J.S.A. 48:2-32.2, at the time each gas and electric utility seeks rate recovery of USF costs, including any USF-related deferrals, the Board HEREBY ORDERS each such utility to give public notice of the filing in accordance with N.J.S.A. 48:2-32.4 and N.J.S.A. 48:2-32.2.

Permanent Universal Service Program

The Board HEREBY DIRECTS the parties to immediately work toward the resolution of all outstanding issues regarding the permanent USF program and to submit a proposal for a permanent USF program for the Board's review and consideration on or before March 1, 2002. Any proposal for the permanent USF should be structured as a one-stop shopping umbrella and include a fixed credit percentage of income payment plan with a one-stop shopping umbrella so that eligible recipients will be able to simultaneously apply for all utility assistance programs, and any other permanent USF proposal that the parties want the Board to consider. This schedule will allow the Board sufficient time to implement a permanent USF program by July 2002, subject to a complete program needs analysis to be conducted by DHS.

V. CONCLUSION

Based upon the foregoing, the Board HEREBY ORDERS Jersey Central Power and Light Company d/b/a GPU Energy to implement its PIP Pilot Program without modification. The Board FURTHER ORDERS NUI Elizabethtown Gas Company, New Jersey Natural Gas Company, Public Service Electric and Gas Company, South Jersey Gas Company, Conectiv Power Delivery, and Rockland Electric Company to make available additional resources, as described above, so that an interim USF credit can be issued to as many eligible customers as possible.

Finally, as noted above, various comments and motions have been filed by the parties during the course of this proceeding. These comments and motions, which, among other things, were

¹⁹ See: Docket Nos. EO97070461 et. al.

²⁰ The amount included in each utilities SBC is set forth in the Restructuring Stipulations.

²¹ Because electric rates remain capped through July 31, 2003 pursuant to EDECA, N.J.S.A. 48:3-52(j), the earliest that recovery of electric USF costs, including deferred interest, can commence is August 1, 2003.

directed toward the structure of a permanent USF program, and the type of data necessary for the formulation of such a program, will be addressed in the context of the Board's future deliberations with respect to the development of a permanent USF program.

Also, the Board notes that an extensive customer outreach and education program is essential to inform eligible customers about the interim USF. Accordingly, the Board HEREBY DIRECTS Conectiv, PSE&G, RECO, E'town Gas, NJNG, South Jersey, and GPU Energy to implement a USF customer education program. The customer education program shall include:

1. Posting USF information on each utility's websites;
2. Providing education and training for customer service representatives regarding the available programs;
3. Directing customer service representatives to proactively discuss the interim USF with appropriate customers;
4. Sending direct mail and/or bill inserts to all customers regarding the USF;
and
5. Coordination with CAP agencies.

The USF customer education program should begin immediately after the filing of the compliance filings for the interim USF program.

Based upon the foregoing, the Board HEREBY ORDERS that:

1. GPU Energy implement its PIP Pilot program without modification.
2. Conectiv, PSE&G, RECO, E'town Gas, NJNG, and South Jersey make available additional resources in order to implement an interim USF.
3. The interim USF be in the form of a one-time fixed credit to eligible customers.
4. The existing LIHEAP eligibility requirements be used to establish eligibility for the interim USF.
5. The total budget for the interim USF is \$15 million.
6. The interim USF budget is to be allocated among Conectiv, PSE&G, RECO, E'town Gas, NJNG, and South Jersey.
7. Conectiv, PSE&G, RECO, E'town Gas, NJNG, and South Jersey submit a compliance filing, within forty-five (45) days of the date of this Order, which includes a proposed allocation of the interim USF budget; the estimated impact on rates for each utility; an amount to be allocated to DHS so that assistance can be provided to LIHEAP recipients whose energy bills are currently included in their rent; the amount of the interim USF credit for each utility; the estimated number

of customers, for each utility, who may be eligible for the interim USF; the estimated costs of administrating the interim USF; and all workpapers utilized in the preparation of the compliance filing.

8. The parties immediately work toward the resolution of the outstanding issues regarding the permanent USF and to submit a proposal for a permanent USF for the Board's review and consideration on or before March 1, 2002. The proposal shall include a fixed credit percentage of income payment plan with a one-stop shopping umbrella plan so that eligible recipients will be able to simultaneously apply for all utility assistance programs, and any other permanent USF proposal that the parties would like the Board to consider.
9. Conectiv, PSE&G, RECO, E'town Gas, NJNG, and South Jersey defer on their books and records all costs associated with the interim USF. Each utility shall have the opportunity to request the recovery of reasonable and prudent USF-related costs, including the appropriate carrying costs, through the SBC.
10. A USF customer education program be established by Conectiv, PSE&G, RECO, E'town Gas, NJNG, South Jersey, and GPU.

DATED: November 21, 2001

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)

CONNIE O. HUGHES
PRESIDENT

(SIGNED)

FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)

CAROL J. MURPHY
COMMISSIONER

ATTEST: (SIGNED)
HENRY M. OGDEN
ACTING SECRETARY

